

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Thompson Analyst: Roger Lackey Bill Number: AB 2455

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: May 18, 2000

Attorney: Patrick Kusiak Sponsor:

**SUBJECT:** Unharvested Fruit Crop Losses Credit/Loss From Bloomington and Fallbrook Mexican Fruit Fly Quarantine/FTB to Report to Legislature

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced February 24, 2000 .
- ☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☐ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.
- ☒ FURTHER AMENDMENTS NECESSARY.
- ☐ DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 24, 2000 STILL APPLIES.
- ☒ OTHER - See comments below.

### SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would allow a credit equal to 20% of the market price of any unharvested fruit grown by a commercial grower that was lost as a direct result of the Bloomington or Fallbrook Mexican Fruit Fly Quarantine.

### SUMMARY OF AMENDMENT

The May 18, 2000, amendments resolved the department's policy considerations by reducing the credit to 20% of the market price, providing that the bill is operative for taxable or income years beginning on or after January 1, 2001, and before January 1, 2006, and disallowing the credit in the case of other compensation. The May 18, 2000, amendments also established a certification process to be handled by the Agricultural Commissioner, clarified which taxpayer qualifies for the credit, and limited the carryover period. These amendments resolve the department's implementation considerations and were suggested in the department's analysis of the bill as introduced.

The May 18, 2000, amendments also added a provision that would require the department to report to the Legislature by December 1, 2004, on the number and amount of the credits claimed under the bill.

Except for the discussion in this analysis, the department's analysis of the bill as introduced still applies. The new implementation and technical considerations, as well as the revised revenue, are provided below.

### Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

### Legislative Director

### Date

Johnnie Lou Rosas

6/20/00

IMPLEMENTATION CONSIDERATION

The bill now contains two operative dates, which appear to conflict. One provides that the credit shall be allowed for the first taxable or income year of the taxpayer that commences on or after January 1, 2000. The other operative date added by the May 18, 2000, amendments would allow the credit for taxable or income years beginning on or after January 1, 2001, and before January 1, 2006. One of the two operative dates should be removed.

TECHNICAL CONSIDERATIONS

The attached amendments would resolve the following technical considerations:

1. The word "a" should be replaced with "the" where it references the qualified taxpayer that sustained the loss.
2. The operative credit portions of the bill should refer to the Bloomington "or" Fallbrook quarantine area, instead of using the word "and."

TAX REVENUE ESTIMATE

Contacts with industry experts indicate that the loss in the Bloomington area due to the Mexican fruit fly quarantine is very minor. According to the staff of the California Department of Food and Agriculture, the total loss for *all businesses* in this area amounts to only about \$15,000 currently. Limiting the credit amount to 20% of the losses in both Fallbrook and Bloomington areas, the revenue impact of this bill would be minor—less than \$500,000 in revenue losses per year.

BOARD POSITION

Pending.

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FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO AB 2455  
As Amended May 18, 2000

AMENDMENT 1

On page 3, line 10, strikeout "a" and insert:

the

AMENDMENT 2

On page 3, line 12, strikeout "and" and insert:

or

AMENDMENT 3

On page 3, line 38, strikeout "and" and insert:

or

AMENDMENT 4

On page 4, line 28, strikeout "a" and insert:

the

AMENDMENT 5

On page 4, line 29, strikeout "and" and insert:

or

AMENDMENT 6

On page 5, line 16, strikeout "and" and insert:

or